



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2009 Biennium

Bill # SB0247

Title: Revise minimum benefit in highway patrol retirement system

Primary Sponsor: Elliott, Jim

Status: As Introduced

Retirement Systems Affected:

<input type="checkbox"/> Teachers	<input type="checkbox"/> Public Employees	<input checked="" type="checkbox"/> Highway Patrol	<input type="checkbox"/> Police
<input type="checkbox"/> Sheriffs	<input type="checkbox"/> Firefighters	<input type="checkbox"/> Volunteer Firefighters	<input type="checkbox"/> Game Wardens
		<input type="checkbox"/> Game Wardens	<input type="checkbox"/> Judges

- ☐ Has this legislation been reviewed by the legislative interim committee?
- ☒ Has the cost of this legislation been calculated by the system's actuary?
- ☐ Does this legislation include full funding for any benefit revisions?

Highway Patrol Officer's Retirement System

	July 1, 2006 Current System	July 1, 2006 With Changes	Increase (Decrease)
Present Value of Actuarial Liability	\$112,002,000	\$117,978,000	\$5,976,000
Present Value of Actuarial Assets	\$87,189,000	\$87,189,000	\$0
Actuarial Accrued Liability (AAL) Unfunded/(Funded	\$24,813,000	\$30,789,000	\$5,976,000
Amortization Period of AAL	18.0	24.8	6.8

	July 1, 2006	July 1, 2007	July 1, 2008	July 1, 2009	July 1, 2010
Employee Contribution Rate	9.05%	9.05%	9.05%	9.05%	9.05%
Employer Contribution Rate	26.15%	26.15%	26.15%	26.15%	26.15%
State Contribution Rate	10.18%	10.18%	10.18%	10.18%	10.18%
TOTAL Contribution Rate	45.38%	45.38%	0.00%	45.38%	45.38%

FISCAL SUMMARY

	FY 2007 Difference	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:					
General Fund	\$0	\$0	\$0	\$0	\$0
Other - Pension Funds	\$120,482	\$290,367	\$289,053	\$287,005	\$284,149
Revenue:					
General Fund	\$0	\$0	\$0	\$0	\$0
Other - Pension Funds	\$0	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

SB 247 increases retirement benefits to probationary highway patrol officers and increases the unfunded liability by \$5.976 million and the amortization period by 6.8 years. There is no additional funding provided in this SB 247 to fund these benefit increases. The additional funding rate needed to maintain the current amortization period is 5.60% of payroll.

FISCAL ANALYSIS**Assumptions:**

1. The actuarial impact is based on the July 1, 2006 actuarial valuation.
2. This is the only statutory amendment being considered.
3. Emerging costs may vary from those presented in this letter to the extent actual experience differs from that projected by the actuarial assumptions.
4. That the “base salary” for a probationary highway patrol officer would increase at the actuarial assumed rate of 4.25%. minimum (floor) is the member’s service credits times the “base salary” times 2%. This amount is different for every member based on the time they served.
5. The maximum (cap) is the monthly “base salary” times 60% (For FY 2007 \$3,139.07*0.60 = \$1,883.44)
6. The current law projected benefit is assumed to increase at 5% unless it is
 - a. raised to the floor of the minimum, or
 - b. capped at the maximum monthly benefit.
7. Eliminates the current law 5% cap to the minimum benefit adjustment.
8. The proposed law goes into effect upon passage so there would be a FY 2007 impact.

	2007 BENEFIT	2008 BENEFIT	2009 BENEFIT	2010 BENEFIT	2011 BENEFIT
SB247 Projected Monthly Benefits Paid	172,473	179,650	187,286	195,245	203,543
Current Law Projected Monthly Benefits Paid	<u>148,377</u>	<u>155,453</u>	<u>163,198</u>	<u>171,328</u>	<u>179,864</u>
Monthly Difference	24,096	24,197	24,088	23,917	23,679
5-month Difference	120,482				
Annual Difference		290,367	289,053	287,005	284,149

	<u>FY 2007 Difference</u>	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>					
<u>Expenditures:</u>					
Benefits	\$120,482	\$290,367	\$289,053	\$287,005	\$284,149
TOTAL Expenditures	<u>\$120,482</u>	<u>\$290,367</u>	<u>\$289,053</u>	<u>\$287,005</u>	<u>\$284,149</u>
<u>Funding of Expenditures:</u>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
Other - Pension Fund (09)	\$120,482	\$290,367	\$289,053	\$287,005	\$284,149
TOTAL Funding of Exp.	<u>\$120,482</u>	<u>\$290,367</u>	<u>\$289,053</u>	<u>\$287,005</u>	<u>\$284,149</u>
<u>Revenues:</u>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
Other - Pension Fund (09)	\$0	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
Other - Pension Trust (09)	(120,482)	(290,367)	(289,053)	(287,005)	(284,149)

Technical Notes:

1. This bill does not provide funding for the additional benefit.
2. This benefit normally is calculated annually with the distributions starting in July (the beginning of the fiscal year).
3. The cap would be eliminated immediately, thereby providing a significant increase to some members upon passage and impacting FY 2007.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date